



## Report on FY18 District Risk Assessment

In October 2015, the Milwaukee Board of School Directors approved the District's risk-assessment project as part of the Annual Plan of Audits for the fiscal year 2016. Audit Services worked in collaboration with the Association of Local Government Auditors (ALGA) to develop a risk-assessment tool and risk-assessment questionnaire to be distributed to key district leaders and administrators. During this six-month process, the Assistant Chief Auditor with the Miami-Dade County Public Schools served as the technical advisor for this project and provided valuable insights and feedback. The entire MPS Audit Services team also participated in the design-and-evaluation process. This district risk-assessment tool since has been updated annually to continue to assist Audit Services in identifying risks and in prioritizing audit resources.

Audit Services has completed the FY18 risk assessment as a means to identify, measure, and rank potential audit areas based on the level of risk to the District and as a tool in preparing the FY18 Annual Audit Plan. Risk-assessment questionnaires were distributed to 34 office directors, managers, and key personnel in 30 departments, with a 100% return rate.

Of the 34 responses received:

- 32 (94%) reported that they were not aware of any incident of fraud, waste, abuse, or theft in their departments in this past year;
- 34 (100%) were aware of the MPS fraud-reporting tools;
- 34 (100%) reported no obstacles that would have prevented their departments from performing work tasks;
- 11 (32%) indicated a future planned upgrade or other significant changes to the information systems within the next three years; and
- 5 (15%) indicated that they did not have written standard operating procedures (SOP) available for staff to follow.

Audit Services has reviewed both these responses and the results from a district-wide survey conducted in conjunction with the Office of Finance and the Superintendent's Office. Audit Services also has performed an analysis of year-over-year budget and staffing changes in assigning risk levels to six specific categories — People, Fraud, Operations, Technology and Systems, Legal, and Financial — to arrive at an overall risk-and-audit priority. Under these criteria, an overall risk-and-audit priority level of high, moderate, or low was assigned: of the 30 auditable departments analyzed, eight (27%) are high-risk, 11 (37%) are moderate-risk, and 11 (37%) are low-risk.

In addition to the risk-assessment results, other factors affecting prioritization include requests from the Board of School Directors, audit resources, prior audit results, value-added impact to the organization, and degree of organizational change in the functional area. All of these factors are addressed when devising the recommended audit plan.

A high-risk score does not necessarily mean that an office is being managed ineffectively or that it is not functioning properly, but merely indicates that the services or functions are inherently high-risk activities due to large expenditures or revenues, large amounts of cash, public interest, mission-critical operations, or support for other critical internal operations. The overall results identify the areas of activities with the highest risk factors, as described above, that may warrant or benefit from additional management action or Audit Services review.

The areas of higher risk include the Office of the Chief Financial Officer, Office of the Chief Operations Officer, and the Office of the Chief Information & Innovation Officer. Audit resource days have been included in the FY18 Annual Plan of Audits in areas of district operations in each of these higher-risk areas.